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SUBJECT: CASABLANCANS' ANGER OVER PRICE INCREASES HAS DISSIPATED, NOT DISAPPEARED

REF: A. 06 CASABLANCA 1233 B. RABAT 1542 C. RABAT 1525

¶1. (SBU) Summary: Anger over price increases in Morocco is not a new phenomenon and can be explained in part by factors such as Ramadan speculation and lack of government planning. At the same time, many Casablanicans contend that the problem is worse than in years past. Not only did price increases fall on the heels of disappointing parliamentary elections, but they were steeper as a result of high world commodity prices and the need for more imports due to Morocco's poor agricultural performance. Many Moroccans now wonder how the GOM will sustain the subsidies it offers to maintain both price and social stability. End Summary.

PRICE INCREASES - AN ON-GOING ISSUE

¶2. (U) Recent discontent over price increases in Morocco is hardly a new phenomenon. Demonstrations against cost of living increases took place last year during Ramadan as they did this year, with protesters railing against the high price of goods such as bread, sugar and cooking oil (ref A). Many Casablanicans blame typical Ramadan speculation for driving up basic commodity prices. For example, according to a teacher, speculators buy tomatoes before Ramadan at 12 to 25 cents per kilo, then sell them for between USD 1.25 and 1.50 during the month-long holiday, when a tomato-based soup called harira is a staple of every Ftour.

¶3. (SBU) Others fault the government for the situation, saying it should plan better. A professional from Casablanca also used tomatoes as an example, charging that the GOM should stop exporting so much of the supply to avoid the shortages that push prices upward during Ramadan. Expressing a similar complaint, another individual pointed out that millers knew last spring that they would have to import wheat, and therefore raise prices, to meet demand. The GOM saw the problem coming and knew that it would peak at Ramadan, but did nothing to head off a crisis in advance.

WHY IS THIS YEAR DIFFERENT?

¶4. (SBU) While anger over price increases has been an on-going issue for years, some contend that the problem is worse this year. The violent turn that a September 23 demonstration in Sefrou took was a major indication that tensions were running high (ref B). Some attribute the heightened sense of anger to this year's unique local context. Price increases came not just on the eve of Ramadan, but also after parliamentary elections in which low voter turn-out highlighted the frustration many Moroccans feel with their country's democratic efforts.

15. (SBU) Others cite the global context. World prices of commodities such as milk and wheat have gone up at the same time that Morocco's poor agricultural output has necessitated increased imports of these goods, making them more expensive. Although the Central Bank reports that inflation is actually down, projected at 2.1 percent in 2007 versus 3.3 percent in 2006, citizens have the perception that prices have risen more dramatically this year than last.

HOW WILL THE GOM SUSTAIN SUBSIDIES?

16. (SBU) The GOM's decision to retract bread price increases, subsidize flour, and suspend duties on wholesale market goods during Ramadan has made Moroccans in Casablanca question how it can sustain this level of financial support. Clearly, the GOM will have to find alternate revenue sources. One Casablanca suggested the GOM tax items that would not spark widespread protest, such as cigarettes or alcohol. Another advised being savvier about timing price increases.

If the GOM raised milk prices in three months rather than during Ramadan, for example, consumers may not notice as much. Still another suggestion was to replace general subsidies with those aimed specifically at the poor. Regardless of how the GOM pays for promised subsidies, many lament the need for them. Not only would they rather see funds used for initiatives such as job creation and tourism, but they prefer a liberalized economy.

17. (SBU) Comment: Although anger over price increases has dissipated since the GOM took action to return prices to normal in late September, many Casablancans believe the problem remains. One individual anticipated that bread subsidies would last a long time to maintain both price and social stability. Another projected that the violence in Sefrou could happen again; if it does, he said, "You

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won't stop it easily." While the GOM has quelled discontent for the moment, from a Casablanca perspective, the new government will be challenged to figure out how to do so in the future. End Comment.

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